

REPORT DIGEST

**ILLINOIS EMERGENCY MANAGEMENT AGENCY
FINANCIAL AND COMPLIANCE AUDIT
(In Accordance with the Single Audit Act
and OMB Circular A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1993**

{Expenditures are summarized on the reverse page.}

AUDITOR'S OPINION

Our Special Assistant Auditors, the firm of Sleeper, Disbrow, Morrison, Tarro & Lively, declined to express an opinion on IEMA's financial statements. The firm stated in its letter report to the Auditor General that IEMA had not maintained certain customary accounting records and supporting documents relating to intergovernmental receivables, intergovernmental payables and property and equipment. The firm also expressed the opinion that IEMA's system of internal control was not adequate to provide safeguards over IEMA assets and to assure the proper recording of transactions.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This report is presented in two volumes: Volume I contains Part I - State Compliance and Part II - Agency Functions and Planning Program. Volume II contains Part III - Financial Statements and Part IV - Federal Compliance.

INTERNAL AUDITOR NOT APPOINTED

The Illinois Emergency Management Agency (IEMA) has not established a program of internal auditing and is not maintaining a fully effective internal control system as required by the Fiscal Control and Internal Auditing Act (30 ILCS 10/1001 *et seq*). IEMA has not established a program of internal auditing because neither funding nor head count has been granted for such a position. As indicated by 14 reportable internal control conditions (including 5 material internal control weaknesses), IEMA has not maintained an effective internal control system. Failure to establish a program of internal audit, or to recognize existing material internal control weaknesses, constitutes a material internal fiscal and administrative control weakness. (Finding 1, page 9, Volume I)

We recommended that IEMA seek authorization and funding for an internal audit program or request to have internal audits performed by the Department of Central Management Services on a regular basis. IEMA management responded that it had contacted the Department of Central Management Services to establish a more thorough program of internal control.

WEAK PROPERTY CONTROLS

IEMA has not exercised sufficient controls over State-owned property. We have noted the following selected weaknesses included in our report:

- Property acquisitions are not promptly recorded as required by DCMS property control regulations.
- The annual physical inventory of property is conducted by the Chief Fiscal Officer and the person in charge of property control rather than a person independent of the recordkeeping function.

- Supporting documents for property are not well organized. IEMA was not able to readily produce supporting documentation for property items that were acquired other than through purchase transactions.

- IEMA has not verified the existence of items totalling \$212,703 which are recorded on the agency's books as "Items on Loan".
(Finding 2, page 11, Volume I)

We recommended that IEMA develop procedures and maintain on a timely basis property control records which accurately reflect the cost of State property for which IEMA is accountable. IEMA responded that it will develop a more coordinated program of property control that meets requirements of CUSAS and DCMS.

INDIRECT COST REIMBURSEMENTS NOT CLAIMED

IEMA has violated the State Officers and Employees Money Disposition Act (30 ILCS 230/2a.3; 230/2b) by not applying for all available indirect cost reimbursements available to it from the federal government. IEMA has not applied for indirect costs attributable to inter-agency indirect costs. In order to obtain reimbursement for such costs, IEMA is required to file a Statewide Cost Allocation Plan. IEMA has not submitted this plan to FEMA. The reimbursements for FY 92 would approximate \$300,000. (Finding 7, page 17, Volume I)

We recommended that IEMA file a Cost Allocation Plan with FEMA and make timely application for all indirect cost reimbursements for which it is eligible as required by State law. IEMA responded that it has communicated to FEMA its intent to file the Statewide Cost Allocation Plan for inter-agency indirect costs.

DIRECT COST REIMBURSEMENTS NOT CLAIMED

IEMA has not taken the action necessary to claim reimbursement available from FEMA totalling approximately \$125,000 for a major disaster that occurred on August 29, 1990. FEMA has agreed to pay 75 percent of eligible costs for this disaster. The eligible costs are estimated by IEMA to total approximately \$170,000. (Finding 8, page 18, Volume I)

We recommended that IEMA take appropriate action to obtain timely reimbursement for emergency response costs available from the Federal Emergency Management Agency under the federal public assistance cost sharing program. IEMA responded that it took the appropriate first step to obtain reimbursement for these emergency response costs. The agency announced its intent to request a meeting (with FEMA) for the purpose of claiming the reimbursement in question.

INADEQUATE FACILITIES

IEMA's facilities do not appear to be adequate to carry out essential duties. The IEMA's central office lower floor has flooded. This could hinder IEMA's ability to respond to disasters because the Emergency Operating Center is located on that floor. In addition, only one of the three floors

occupied by IEMA are wheelchair accessible, and none of the rest rooms in the central office are wheelchair accessible. (Finding 9, page 19, Volume I)

We recommended that IEMA continue to seek assistance to improve its facilities. IEMA agreed and announced plans to implement our recommendation.

NON COMPLIANCE WITH CASH MANAGEMENT REQUIREMENTS

IEMA violated federal cash management requirements by requesting funds in excess of IEMA's immediate needs. We noted three specific cash management problems as described below:

- IEMA did not reconcile its financial records with those of FEMA. Consequently, IEMA failed to return to FEMA excess funds held in the State treasury for federal programs.
- IEMA maintained cash balances of excess federal reimbursements. The excess federal reimbursements totaled \$23,173.22 from FY 1990.
- IEMA advanced funds to a subgrantee in excess of the subgrantee's immediate cash needs. Quarterly cash balances ranged from \$15,508 to \$22,509 while the average monthly expenditures totaled \$12,081. (Finding 18, page 53, Volume II)

We recommended that IEMA establish adequate cash management procedures to ensure that federal funds are not drawn in excess of need and are returned to the grantor agency on a timely basis. IEMA agreed with our recommendation and described specific remedial action it planned to take.

PAYROLL COST FOR FEDERAL GRANTS NOT DOCUMENTED

IEMA has not maintained time and effort records to document payroll cost allocation to multiple grant programs where individual employee's wages are chargeable to more than one program. Allocation of payroll cost for the two years in our audit period totaled \$535,000. (Finding 21, page 58, Volume II)

We recommended that IEMA develop time and effort records for employees who perform activities related to multiple federal programs in order to document payroll costs allocated to each program as required by federal procedures. IEMA responded that it will develop more detailed time and effort records for employees to document payroll costs allocated to each program.

OTHER SIGNIFICANT FINDINGS

A number of the remaining findings are also significant and are summarized below:

- IEMA has not developed a comprehensive written long-term plan to complement its existing planning processes. (Finding 3, page 12, Volume I)
- IEMA has not established written procedures for all eligibility criteria for administration the Governor's Disaster Relief Fund. (Finding 4, page 14, Volume I)

- IEMA did not develop an adequate system of control designed to monitor compliance with the federal grant agreements. (Finding 16, page 51, Volume II)
- IEMA has not complied with federal regulations for property management and disposition. Specifically, equipment items purchased with federal funds were not identified as such. (Finding 22, page 59, Volume II)
- IEMA agreements with subrecipients under federal programs did not contain all of the terms and conditions, assurances and certifications necessary to assure compliance by the subrecipients with federal requirements. (Finding 23, page 60, Volume II)
- IEMA did not enforce the audit requirements of the Single Audit Act of 1984 by requiring subrecipients of federal funds to meet the applicable audit requirements. (Finding 24, page 62, Volume II)
- IEMA has not reimbursed federal trust funds for the State's share of grant program expenditures. (Finding 25, page 63, Volume II)
- The State Administrative Plan for emergency management has not been updated since August 1989. (Finding 26, page 64, Volume II)
- Equipment purchases in excess of the program budget were made which resulted in questioned costs totalling \$35,109. (Finding 27, page 65, Volume II)
- Noncash awards totalling \$18,509 were not included in the IEMA's financial statements nor in the Schedule of Federal Financial Assistance in violation of CUSAS. (Finding 28, page 66, Volume II)

OTHER FINDINGS

The remaining findings are less significant and have been given appropriate attention by the Agency. We will review progress toward the implementation of recommendations in our next audit.

WILLIAM G. HOLLAND, Auditor General

WGH:JTD:pp

SUMMARY OF AUDIT FINDINGS

19931992
 Total Findings 22 10
 Prior Recommendations Repeated 4 5
 Prior Recommendations Implemented
 or Not Repeated 6 6

SPECIAL ASSISTANT AUDITORS

Sleeper, Disbrow, Morrison, Tarro & Lively served as special assistant auditors for this audit.

ILLINOIS EMERGENCY MANAGEMENT AGENCY
COMPLIANCE AUDIT
For The Two Years Ended June 30, 1993

EXPENDITURE STATISTICS	FY 1993	FY 1992	FY 1991
●Total Expenditures (All Funds)	\$12,028,871	\$17,302,842	\$15,441,149
<u>OPERATIONS TOTAL</u>	\$5,649,896	\$5,171,026	\$5,557,352
% of Total Expenditures	47%	30%	36%
Personal Services	\$2,111,870	\$2,150,589	\$2,407,434
% of Operations Expenditures	37%	42%	43%
Average No. of Employees	61	61	65
Other Payroll Costs (FICA, Retirement)			
% of Operations Expenditures	\$425,651 8%	\$342,068 7%	\$648,346 12%
Contractual Services	\$602,286	\$214,546	\$202,271
% of Operations Expenditures	11%	4%	4%
All Other Operations Items	\$2,510,089	\$2,463,823	\$2,299,301
% of Operations Expenditures	44%	48%	41%
<u>GRANTS TOTAL</u>	\$6,378,975	\$12,131,816	\$9,883,797
% of Total Expenditures	53%	70%	64%
●Cost of Property and Equipment	\$2,100,031	\$2,007,951	\$1,992,411

AGENCY DIRECTOR(S)

During Audit Period: John R. Plunk (Acting)
 Currently: John G. Mitchell